# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION INVESTMENT COMMITTEE

### MINUTES OF MEETING OPEN SESSION

February 14, 2011

The Investment Committee met on Monday, February 14, 2011 at the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:40 a.m. and the following members were present:

George Diehr, Chair
Tony Oliveira, Vice Chair
John Chiang
Richard Costigan
Dan Dunmoyer
Rob Feckner
JJ Jelincic
Henry Jones
Bill Lockyer, represented by Steve Coony
Priya Mathur
Louis F. Moret
Ronald Yank, represented by Michelle Berklacich

Terry McGuire represented John Chiang

Items were taken out of order.

### AGENDA ITEM 1 – APPROVAL OF DECEMBER 2010 MEETING MINUTES

On **MOTION** by Mr. Jones, **SECONDED** and **CARRIED** that the December 13, 2010 Open Session minutes be approved as presented.

#### AGENDA ITEM 2 - DECEMBER 2010 POLICY SUBCOMMITTEE REPORT

Subcommittee Chair Moret reported on the December 13, 2010 Policy Subcommittee meeting.

### a. Revision of the Policy for the Barclays Aggregate Program

On **MOTION** by the Subcommittee, the Investment Committee approved revisions to the Barclays Aggregate Program.

- b. Revision of Synthetic Enhanced Equity Strategy Policies
  - 1) Internally Managed Global Enhanced Equity Strategies Policy
  - 2) Low Duration Fixed Income Program Policy

On **MOTION** by the Subcommittee, the Investment Committee approved revisions to the Internally Managed Global Enhanced Equity Strategies Policy and the Low Duration Fixed Income Program Policy.

#### AGENDA ITEM 3 -2011 REAL ESTATE STRATEGIC PLAN

Ted Eliopoulos, Senior Investment Officer, and James Hurley, Portfolio Manager, presented the item.

Paul Mouchakkaa and David Glickman, Pension Consulting Alliance, and Andrew Junkin, Wilshire Consulting, were available to respond to questions from the Committee.

Staff presented the 2011 Real Estate Strategic Plan and highlighted the following key recommendations:

- 1. Invest in private Real Estate equity
- 2. Focus majority of portfolio on United States
- 3. Implement new role of Real Estate by splitting program into Legacy Portfolio and New Portfolio
- 4. Organize New Portfolio into three sub portfolios (Base, Domestic Tactical, International Tactical)
- 5. Reduce overall risk profile by requiring a minimum of 75% of the portfolio to be Core
- 6. Utilize moderate leverage across the portfolio, with emphasis on Debt Service Coverage Ratio in addition to Loan to Value Ratio
- 7. Utilize separate account structure as primary business model
- 8. Replace existing benchmark

On **MOTION** by Mr. Coony, **SECONDED** and **CARRIED** to approve the 2011 Real Estate Program's Strategic Plan.

#### **AGENDA ITEM 9 - PUBLIC COMMENT**

The following CalPERS members urged the Committee to divest of certain companies that do business in Israel:

- Sherna Berger Gluck, Emerlia Faculty, CSU Long Beach
- Maggie Coulter, retired, State of California (various agencies)
- Mikos Fabersunne, Engineer for Cal/EPA
- Vida Samiian, Faculty Member, CSU Fresno
- Mary Singaus, retired, Riverside County
- Cris Yatooma, Fiscal Services, California Community Colleges

The Committee recessed for lunch from 12:25 p.m. to 1:15 p.m.

## AGENDA ITEM 4 – ANNUAL LEGISLATIVE REPORT – HOLOCAUST ERA AND NORTHERN IRELAND

Eric Baggesen, Senior Investment Officer, and Anne Simpson, Senior Portfolio Manager, presented the item. Staff summarized the reports and requested approval to submit the annual Holocaust Era and Northern Ireland Reports to the California Legislature, and to forward letters to companies identified in the reports as having unresolved claims or otherwise requiring corrective action.

On **MOTION** by Mr. Jones, **SECONDED** and **CARRIED** to approve the Holocaust Era and Northern Ireland Reports for transmittal to the Legislature.

### AGENDA ITEM 5a - TOTAL FUND, Investment Office Roadmap

Joseph Dear, Chief Investment Officer, outlined the 2011-12 Investment Office Roadmap strategic priorities. The following were highlighted:

- Achieve Investment Performance Targets
- Establish New Capital Allocation Framework
- Strengthen Risk Management
- Strengthen Organization, Systems, and Controls
- Improve Cost Effectiveness
- Enhance Talent Management

The Committee accepted the annual information report.

# AGENDA ITEM 5b – TOTAL FUND, Investment Office Risk Heat Map and Target Operating Model Update

Janine Guillot, Chief Operating Investment Officer, provided a Risk Heat Map and Target Operating Model overview, including a prioritized list of initiatives to improve operation and control capability and reduce operating and investment risk. In the future, updates will be provided to the Committee as part of the Roadmap status reports.

# AGENDA ITEM 6a – PROGRAM UPDATE, Alternative Investment Management (AIM) – Program Review

Joseph Dear, Chief Investment Officer; Joncarlo Mark, Senior Portfolio Manager; and Sarah Corr, Senior Portfolio Manager, provided an annual review of the AIM Program including a summary of performance, 2010 accomplishments, portfolio exposure characteristics, and 2011 priorities.

Mike Moy, Pension Consulting Alliance, was available to respond to questions from the Committee.

The Committee accepted the annual information report.

# AGENDA ITEM 6b – PROGRAM UPDATE, Global Equity – Corporate Governance – Financial Market Reform Update

Anne Simpson, Senior Portfolio Manager, provided an update on the status of Financial Market Reform activities and staff priorities for implementation of the Dodd-Frank Act.

### AGENDA ITEMS 6c-g - PROGRAM UPDATES

There were no items to report for the following programs:

- c. Real Estate
- d. Inflation-Linked Asset Class (ILAC)
- e. Global Fixed Income
- f. Global Equity
- g. Affiliate Investment Programs

### **AGENDA ITEM 7 – ACTIVITY REPORTS**

The Committee accepted the following activity reports:

- a. Consolidated Investment Activity Report
- b. Chief Operating Investment Officer's Status Report

#### AGENDA ITEM 8 – AGENDA AND CALENDAR

The Committee accepted the following:

- a. Draft Agenda for March 14, 2011 Investment Committee Meeting
   The Chair directed staff to change the Long-Term Care Investment Annual
   Update and Strategic Asset Allocation Discussion item from action to
   information
- b. 2011 Annual Agenda Item Calendar

#### **AGENDA ITEM 9 – PUBLIC COMMENT** (Continued)

There were no additional public comments.

The meeting was adjourned at 2:50 p.m.

The next Investment Committee meeting is scheduled for March 14, 2011 in Sacramento, California.

STEPHEN W. KESSLER
Deputy Executive Officer
Operations